

FENNVILLE DISTRICT LIBRARY
AUDIT REPORT
YEAR ENDED SEPTEMBER 30, 2008

DELONG & BROWER P.C.

CERTIFIED PUBLIC ACCOUNTANTS ■ FINANCIAL CONSULTANTS

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CERTIFIED PUBLIC ACCOUNTANTS ■ FINANCIAL CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

Holland, Michigan
February 19, 2009

Board of Trustees
Fennville District Library

We have audited the accompanying financial statements of the governmental activities and major fund information of Fennville District Library as of and for the year ended September 30, 2008, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards and the standards generally accepted in the United States of America applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities and major fund information of Fennville District Library as of September 30, 2008 and the respective changes in financial position, thereof, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 2 through 3 and 17 are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

DELONG & BROWER, P.C.



Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Fennville District Library (the "Library"), we offer readers of the Library's financial statements this narrative review and analysis of the financial activities for the fiscal year ended September 30, 2008. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

Financial Highlights

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Library's financial statements. The Library's basic financial statements are comprised of three components:

1. Government-wide statements
2. Fund financial statements, and
3. Notes to the financial statements

This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Statements

The statement of net assets presents information on all of the Library's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Library is improving or deteriorating.

The statement of activities presents information showing how the Library's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in past or future fiscal periods (for instance, depreciation expense associated with capital assets).

The government-wide financial statements can be found on pages 4 and 5 of this report.

Fund Financial Statements.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Library, like other units of state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The activity of the Library is accounted for in governmental funds.

Governmental Funds

The Library maintains governmental funds. Information is presented in the governmental funds balance sheet and in the governmental funds statement of revenue, expenditures, and changes in fund balances for the operating fund. The operating fund is a major fund for financial reporting purposes as defined by GASB Statement #34. During the past fiscal year the Library Board approved the discontinuance of the Building Fund as a separate non-major governmental fund. In its place, the Board decided to designate that an amount be set aside for future capital improvement purposes.

The Library adopts an annual appropriated budget for the operating fund. A budgetary comparison statement has been provided herein to demonstrate compliance with that budget.

The basic governmental fund financial statements can be found on pages 6 through 9 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Library's financial statements. The notes to the financial statements can be found on pages 10 through 15 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This is limited to this management discussion and analysis and the budgetary comparison schedules found on page 17 of this report.

Capital Assets

At September 30, 2008, the Library had \$867,326, net of depreciation, invested in capital assets, including land, building, collection material, furniture, and equipment.

Financial Analysis of the Government's Funds

As of the end of the current fiscal year the combined fund balance of \$760,365 reflects a decrease of \$34,617 from the previous year; a decrease of 4%. During the current fiscal year, revenues decreased 3% and expenditures increased 2%.

The Library's primary source of revenue is from property taxes, representing 62% of total Operating Fund revenue. Penal fines are the secondary funding source, representing 25% of total Operating Fund revenue.

Salaries and payroll taxes are a significant expense of the Library, representing 52% of total Operating Fund expenditures.

Requests for Information

This financial report is designed to provide a general overview of the Library's finances for all those with an interest in the Library's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director, Fennville District Library, PO Box 1130, Fennville, MI 49408-9215.

**FENNVILLE DISTRICT LIBRARY
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2008**

	<u>Governmental Activities</u>
ASSETS	
Cash in Bank	\$ 46,967
Certificates of Deposit	412,287
Investments	210,840
Beneficial Interest in Assets Held by the Foundation	91,575
Due From Other Governmental Units	6,901
Capital Assets less Accumulated Depreciation of \$483,642	<u>867,326</u>
TOTAL ASSETS	<u><u>\$ 1,635,896</u></u>
 LIABILITIES AND NET ASSETS	
LIABILITIES	
Accounts Payable	\$ 5,076
Accrued Liabilities	<u>3,129</u>
 Total Liabilities	<u><u>8,205</u></u>
 NET ASSETS	
Investment in Capital Assets	867,326
Unrestricted	<u>760,365</u>
 Total Net Assets	<u><u>1,627,691</u></u>
 TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,635,896</u></u>

The accompanying notes are an integral part of these statements.

**FENNVILLE DISTRICT LIBRARY
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2008**

FUNCTIONS/PROGRAMS	<u>Program Revenues</u>			<u>Governmental Activities</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants/Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
Governmental Activities:				
Programs	\$ 15,016	\$ 10,431	\$ -	\$ (4,585)
General and Administrative	283,344	-	-	(283,344)
Loss on Disposition of Assets	2,614	-	-	(2,614)
Depreciation (Unallocated)	38,220	-	-	(38,220)
Total Governmental Activities	<u>\$ 339,194</u>	<u>\$ 10,431</u>	<u>\$ -</u>	<u>\$ (328,763)</u>
General Revenue:				
Property Taxes, Levied for General Purposes				193,623
Penal Fines				78,603
State Sources				9,491
Interest and Investment Earnings				3,741
Contributions				3,540
Other				10,448
Total General Revenue				<u>299,446</u>
Change in Net Assets				(29,317)
Net Assets at Beginning of Year				<u>1,657,008</u>
Net Assets at End of Year				<u>\$ 1,627,691</u>

The accompanying notes are an integral part of these statements.

**FENNVILLE DISTRICT LIBRARY
GOVERNMENTAL FUNDS
BALANCE SHEET
SEPTEMBER 30, 2008**

ASSETS

Cash in Bank	\$	46,967
Certificates of Deposit		412,287
Investments		210,840
Beneficial Interest in Assets Held by the Foundation		91,575
Due From Other Governmental Units		6,901

TOTAL ASSETS

\$ 768,570

LIABILITIES AND FUND BALANCES

LIABILITIES

Accounts Payable	\$	5,076
Accrued Wages		3,129

Total Liabilities

8,205

FUND BALANCES

Unrestricted		
Undesignated and Available for General Activities		635,365
Designated for Capital Improvement		125,000

Total Fund Balances

760,365

TOTAL LIABILITIES AND FUND BALANCES

\$ 768,570

The accompanying notes are an integral part of these statements.

FENNVILLE DISTRICT LIBRARY
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO NET ASSETS
SEPTEMBER 30, 2008

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS **\$ 760,365**

Amounts reported for governmental activities in the Statement of
Net Assets are different because:

Capital assets used in governmental activities are not financial
resources and are not reported in the funds:

The cost of capitalized assets is	\$ 1,350,968	
Accumulated depreciation is	<u>(483,642)</u>	
		867,326

TOTAL NET ASSETS		<u><u>\$ 1,627,691</u></u>
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The accompanying notes are an integral part of these statements.

**FENNVILLE DISTRICT LIBRARY
GOVERNMENTAL FUNDS
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED SEPTEMBER 30, 2008**

REVENUE

Local Sources	
Property Taxes	\$ 193,623
Penal Fines	78,603
Investment Return	3,741
Contributions	3,540
Other	20,879
State Sources	9,491
Total Revenue	<u>309,877</u>

EXPENDITURES

Salaries, Wages and Payroll Taxes	180,056
Office Supplies	4,650
Books and Periodicals	44,654
Library Supplies	3,617
South Haven Non-Resident Cards	1,100
Co-op Services	18,761
Programs	3,849
Training and Seminars	2,026
Insurance	4,958
Utilities	21,629
Repairs and Maintenance	30,205
Audit	3,300
Professional Fees	3,962
Technology Charges	3,859
Miscellaneous	6,418
Capital Outlay	11,450
Total Expenditures	<u>344,494</u>

EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES (34,617)

FUND BALANCE AT BEGINNING OF YEAR	<u>794,982</u>
FUND BALANCE AT END OF YEAR	<u>\$ 760,365</u>

The accompanying notes are an integral part of these statements.

FENNVILLE DISTRICT LIBRARY
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2008

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS **\$ (34,617)**

Amounts reported for governmental activities in the Statement of
 Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement
 of Activities, these costs are allocated over their estimated useful lives
 as depreciation

Depreciation Expense	\$ (35,777)	
Loss on Disposition	(2,614)	
Capital Outlay	<u>11,450</u>	
		(26,941)

Governmental funds report purchase of books and materials as expenditures;
 in the Statement of Activities, these costs are allocated over their estimated
 useful lives as depreciation

Depreciation Expense	\$ (2,443)	
Capital Outlay	<u>34,684</u>	
		32,241

CHANGE IN NET ASSETS **(29,317)**

NET ASSETS AT BEGINNING OF YEAR **1,657,008**

NET ASSETS AT END OF YEAR **\$ 1,627,691**

The accompanying notes are an integral part of these statements.

**FENNVILLE DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

NOTE 1: GENERAL STATEMENT

The Fennville District Library is organized under the laws of the State of Michigan and is governed by an eight-member board. The Library provides services to the surrounding areas. They receive support from the City of Fennville and the Townships of Clyde, Casco, Ganges, Manlius, and Lee.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Fennville District Library (the "Library") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Library.

Reporting Entity

The Fennville District Library is the lowest level of government which has oversight responsibility and control over all activities of the library. The library receives funding from local and state government sources and must comply with the concomitant requirements of these funding source entities. However, the Library is not included in any other governmental "reporting entity" as defined in NCGA Statement 3 since Library Board members have decision-making authority, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the library's government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenditures of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

**FENNVILLE DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Fund-Based Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and therefore have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

The Library reports the following major governmental fund:

Operating Fund - The Operating Fund is used to account for all Library resources and expenditures.

Assets, Liabilities, and Net Assets or Equity

Cash and Investments

Cash and cash equivalents are considered to be cash on hand and demand deposits. Investments are stated at fair value. At September 30, 2008, the bank balance of the Library's deposits was \$469,494 all of which was covered by federal depository insurance.

**FENNVILLE DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets, which include land, leasehold improvements, buildings, equipment, and collection materials are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized.

Leasehold Improvements, buildings, equipment, and collection materials are depreciated using the straight-line method over the following useful lives:

Land Improvements	20 years
Furniture and other equipment	5-10 years
Books and other collection materials	5-10 years
Buildings	40 years

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative Data/Reclassifications

Comparative data is not included in the Library's financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that may affect the reported amounts of assets, liabilities, revenues, and expenditures during the period. Actual results could differ from those estimates.

NOTE 3: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and State law for the operating fund. All annual appropriations lapse at fiscal year-end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the library to have a budget in place. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits libraries to amend their budgets during the year. There were amendments during the year.

**FENNVILLE DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

NOTE 3: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year end. There were no encumbrances as of September 30, 2008.

Excess of Expenditures Over Appropriations in Budgeted Funds

The Library had expenditures in excess of budget as disclosed in Note 6.

Fund Deficits

The Library has no accumulated fund balance deficits at September 30, 2008.

NOTE 4: DONATED MATERIALS AND SERVICES

Donated materials and equipment are reflected, if material, as contributions in the accompanying statements at their estimated values at the date of receipt. No amounts have been reflected in the statements for donated services inasmuch as no objective basis is available to measure the value of such services.

NOTE 5: PROPERTY TAXES

Property taxes levied by the Library are collected in various municipalities and periodically remitted to the Library. The taxes are levied as of December 1 on the taxable value of the property as of the preceding December 31. The actual due date is February 14 after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity. The 2007 ad valorem tax is recognized as revenue during the 2007-2008 fiscal year.

The 2007 taxable value totaled \$ 396,446,170 on which taxes levied consisted of .4900 mills for Library operating purposes. The amount is accounted for in the Operating Fund.

NOTE 6: EXPENDITURES IN EXCESS OF BUDGET

Uniform Accounting and Budgeting Act, P.A. 2 of 1968, as amended, requires that expenditures shall not be in excess of the amount budgeted.

During the year ended September 30, 2008, the Library incurred expenditures in excess of budget as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Over- Expenditure</u>
Operating Fund			
Salaries, Wages and Payroll Taxes	\$ 180,000	\$ 180,056	\$ 56
Professional Fees	3,800	3,962	162
Miscellaneous	3,330	6,418	3,088

**FENNVILLE DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

NOTE 7: CERTIFICATES OF DEPOSIT

At year end, the Library had \$ 412,287 invested in certificates of deposit. The carrying value of the investments approximates the market value at the balance sheet date.

Certificates of deposit at financial institutions on September 30, 2008 were as follows:

<u>Bank</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Value</u>
Lake Michigan Credit Union	10/18/2008	3.50%	\$ 157,287
Macatawa Bank	11/1/2008	3.13%	50,000
Huntington Bank	12/1/2008	3.05%	60,000
Huntington Bank	4/27/2009	3.25%	45,000
First Covenant Bank	3/24/2011	4.40%	50,000
Discover Bank	8/6/2013	5.00%	<u>50,000</u>
Total			<u>\$ 412,287</u>

NOTE 8: INVESTMENTS

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The investment policy adopted by the board is in accordance with state law.

At September 30, 2008 investments held included the following:

	<u>Fair Market Value</u>	<u>Credit Risk Rating</u>
Corporate Bonds	\$ 114,925	A- Standard & Poor's
Corporate Bonds	95,915	A+ Standard & Poor's
Total	<u>\$ 210,840</u>	

**FENNVILLE DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

NOTE 9: CAPITAL ASSETS

Capital asset activity of the Library's governmental activities was as follows:

	Beginning Balance	Additions	Disposals and Adjustments	Ending Balance
Assets not being depreciated:				
Land	\$ 50,000	\$ -	\$ -	\$ 50,000
Capital assets being depreciated:				
Land Improvements	25,215	-	-	25,215
Building	1,104,660	11,450	(4,650)	1,111,460
Furniture & Equipment	107,470	-	(899)	106,571
Books & Materials	23,038	34,684	-	57,722
Subtotal	1,260,383	46,134	(5,549)	1,300,968
Accumulated Depreciation:				
Land Improvements	16,075	1,261	-	17,336
Building	364,808	27,776	(2,306)	390,278
Furniture & Equipment	67,474	6,740	(629)	73,585
Books & Materials	-	2,443	-	2,443
Subtotal	448,357	38,220	(2,935)	483,642
Net capital assets being depreciated	812,026	7,914	(2,614)	817,326
Net capital assets	\$ 862,026	\$ 7,914	\$ (2,614)	\$ 867,326

NOTE 10: MONIES HELD BY THE FOUNDATION

Amounts shown as beneficial interest in assets held by the Foundation represent monies placed with the Allegan County Community Foundation (the "Foundation") by the Library, specifying itself as the beneficiary. The Fennville District Library Endowment Fund was created by an irrevocable gift to the Foundation in July, 2008. Earnings in the Endowment Fund may be distributed to the Library based upon the Foundation's current spending policy. The fair market value of the Endowment Fund at September 30, 2008 was \$91,575.

NOTE 11: DESIGNATION OF FUND BALANCE

During the fiscal year ended September 30, 2008 the Library Board approved the discontinuance of the Building Fund as a non-major governmental fund. The balance in the Building Fund of \$136,105 was transferred in total to the Operating Fund. The Library Board also designated \$ 125,000 to be set aside for future capital improvement needs.

REQUIRED SUPPLEMENTAL INFORMATION

**FENNVILLE DISTRICT LIBRARY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - OPERATING FUND
YEAR ENDED SEPTEMBER 30, 2008**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
REVENUE				
Local Sources				
Property Taxes	\$ 194,258	\$ 194,258	\$ 193,623	\$ (635)
Penal Fines	92,000	92,000	78,603	(13,397)
Investment Return	31,000	31,000	3,741	(27,259)
Contributions	-	-	3,540	3,540
Other	19,750	19,750	20,879	1,129
State Sources	5,000	5,000	9,491	4,491
Total Revenue	342,008	342,008	309,877	(32,131)
EXPENDITURES				
Salaries, Wages and Payroll Taxes	192,000	180,000	180,056	56
Office Supplies	4,700	4,900	4,650	(250)
Books and Periodicals	51,500	51,800	44,654	(7,146)
Library Supplies	4,500	4,200	3,617	(583)
South Haven Non-Resident Cards	1,600	1,600	1,100	(500)
Co-op Services	22,528	19,328	18,761	(567)
Programs	2,500	4,000	3,849	(151)
Training and Seminars	3,200	3,200	2,026	(1,174)
Insurance	5,000	5,000	4,958	(42)
Utilities	22,150	22,150	21,629	(521)
Repairs and Maintenance	15,450	31,200	30,205	(995)
Audit	3,300	3,300	3,300	-
Professional Fees	2,200	3,800	3,962	162
Technology Charges	5,800	4,200	3,859	(341)
Miscellaneous	3,580	3,330	6,418	3,088
Capital Outlay	2,000	15,111	11,450	(3,661)
Total Expenditures	342,008	357,119	344,494	(12,625)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	(15,111)	(34,617)	(19,506)
OTHER SOURCES/(USES)				
Fund Balance	-	15,111	-	(15,111)
Total Other Sources/(Uses)	-	15,111	-	(15,111)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER SOURCES/(USES)	\$ -	\$ -	\$ (34,617)	\$ (34,617)

DELONG & BROWER P.C.

CERTIFIED PUBLIC ACCOUNTANTS ■ FINANCIAL CONSULTANTS

February 19, 2009

To the Board of Trustees and Executive Director
Fennville District Library

In planning and performing our audit of the financial statements of Fennville District Library as of and for the year ended September 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Fennville District Library's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

Preparation of financial statements in accordance with GAAP. – The Library is required to prepare financial statements in accordance with generally accepted accounting principles. As is the case with many smaller entities, the Library has historically relied on its independent auditors to assist in the preparation of its financial statements and footnotes. Accordingly, the Library's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered a part of the Library's internal controls. As a result, the Library lacks internal controls over the preparation of the financial statements in accordance with GAAP and instead relies, in part, on its external auditors for assistance with this task. Management has determined that it is in the best interests of the Library to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

Accounts Receivable was not recorded – Financial statements prepared in accordance with GAAP should include all required accruals.

Proper recording of complex transactions in accordance with GAAP – The Library is required to record transactions in accordance with generally accepted accounting principles. During our testing, we noted that complex investment transactions were recorded at cost. However, GAAP requires that certain investments be recorded at fair market value. In addition, we noted that the combining of operating and building funds was not accounted for properly. Management should seek further instruction and training in the proper recording of investment and other complex transactions in accordance with GAAP.

This communication is intended solely for the information and use of management, the Library Board, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

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